

## SUMMARY OF FINANCIAL CONCEPTS AND STANDARDS

The Federal Accounting Standards Advisory Board (FASAB) was established in 1990 and was originally comprised of the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Comptroller General of the United States. FASAB was created to develop accounting standards and principles for the United States Government. In 1999, the American Institute of Certified Public Accountants recognized FASAB as the board that promulgates generally accepted accounting principles for Federal entities. In 2002, the composition of the Board was changed from six Federal and three non-Federal members to three Federal and six non-Federal members. The Board publishes Statements of Federal Financial Accounting Concepts (SFFAC), Statements of Federal Financial Accounting Standards (SFFAS), Interpretations, Technical Bulletins, and staff guidance, all of which are available in their most current form from its [website](#). For easy reference, below is a brief synopsis of the key FASAB concepts and standards:

**SFFAC 1 - Objectives of Federal Financial Reporting.** For general financial reporting purposes, Federal financial reporters must consider the needs of both internal and external report users and the decisions they make. Objectives are outlined for reported financial information that allows the Federal Government to demonstrate accountability and to provide useful information to the public and Congress and to help managers use financial information in management decisions.

**SFFAC 2 - Entity and Display.** This concept identifies the contents of general purpose financial reports and establishes guidelines for defining reporting entities. This statement does not define which reporting entities must prepare and issue financial statements. That authority resides with the Congress, OMB and other oversight organizations and resource providers.

**SFFAC 3 - Management's Discussion and Analysis - Concepts.** This concept describes the information used by the Board in recommending standards governing the content and scope of analysis for Management's Discussion and Analysis (MD&A) that needs to be included in each Agency's Federal financial report. The MD&A communicates managers' insights about the reporting entity, including information about its operations, service levels, successes, challenges and other significant events that may affect future operations.

**SFFAS 1 - Accounting for Selected Assets and Liabilities** (effective since FY 1994). This statement establishes accounting standards for assets (cash, fund balance with Treasury, accounts receivable, advances and prepayments) and liabilities (accounts payable, interest payable, and other current liabilities). This statement further distinguishes between intragovernmental and governmental assets and liabilities that arise from transactions among entities within the Federal Government.

**SFFAS 2 - Accounting for Direct Loans and Loan Guarantees** (effective since FY 1994). This statement requires that we account on a present value basis for direct loans obligated and loan guarantees committed after September 30, 1991. The use of the present value accounting method is consistent with the intent of the Federal Credit Reform Act of 1990.

**SFFAS 3 - Accounting for Inventory and Related Property** (effective since FY1994). This statement provides accounting standards that apply to several types of tangible property, other than long-term fixed assets, held by Federal Government agencies. SFFAS 3 covers assets

such as inventory, operating materials and supplies, stockpile materials, seized and forfeited property, foreclosed property, and goods held under price support/stabilization programs. For guidance on equipment, buildings, and structures, refer to SFFAS 6.

**SFFAS 4 - Managerial Cost Accounting Concepts and Standards** (effective since FY 1998). The standards contained in this statement are aimed at providing reliable and timely information on the full cost of Federal programs, their activities, and outputs. The concepts of managerial cost accounting contained in this statement describe the relationship among cost accounting, financial reporting, and budgeting.

**SFFAS 5 - Accounting for Liabilities of the Federal Government** (effective since FY 1997). This statement defines "liability" as a probable future outflow or other sacrifice of resources as a result of past transactions or events. This statement establishes standards for liabilities of the Federal Government not covered in SFFAS 1 (Accounts Payable, Interest Payable, and Other Current Liabilities), SFFAS 2 (Loans), and SFFAS 6 (Property, Plant and Equipment).

**SFFAS 6 - Accounting for Property Plant, and Equipment** (effective since FY 1998). This statement establishes accounting standards for Federally owned property, plant and equipment, and guides reporters in estimating deferred maintenance and environmental cleanup costs. The PP&E categories are general PP&E, heritage assets and stewardship lands, each of which are guided in this standard by explicit accounting treatments and financial reporting and audit requirements.

**SFFAS 7 - Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting** (effective since FY 1998). This statement contains two separate parts. The first part describes revenue and other financing sources. Revenue is defined as an inflow of resources that the Government demands, earns, or receives by donation. The second part amends SFFAC 2 by adding a new concept to satisfy users' needs for information that reconciles budgetary and financial accounting. An implementation guide or SFAS 7 is available, which describes the content and presentation of financial statements.

**SFFAS 8 - Supplementary Stewardship Reporting** (effective since FY 1998). This statement establishes standards for reporting on the Federal Government's stewardship over the following:

- (1) Certain resources entrusted to it, identified as stewardship property, plant, and equipment, and;
- (2) Certain responsibilities assumed by it, identified as the current service assessment. For the Service, stewardship assets include land associated with the National Wildlife Refuge System, National Fish Hatcheries, and lands under special designations within these systems, such as Wilderness Areas, Wild and Scenic Rivers, National Natural Landmarks, and Wetlands of International Importance. Cultural resources, museum collections, and selected facilities of historic importance are also classified as stewardship assets.

**SFFAS 9 - Deferral of the Effective Date of Managerial Cost Accounting Standards for the Federal Government in SFFAS 4.** Amended the effective date of SFFAS 4 (Managerial Cost Accounting) from FY 1997 to FY 1998.

**SFFAS 10 - Accounting for Internal Use Software** (effective beginning FY 2001). This standard rescinds the provisions of SFFAS 6 for internally developed software. The standard

provides consistent treatment for all internal use software. Internal use software includes software:

- (1) Purchased off-the-shelf from commercial vendors,
- (2) Commercially-developed, or;
- (3) Internally-developed. Internal use software should be capitalized and depreciated since it is considered a long-lived asset that is general PP&E.

**SFFAS 11 - Amendments to Accounting for Property, Plant, and Equipment (PP&E) - Definitional Changes (Amending SFFAS 6 and SFFAS 8)** (effective beginning FY 1999). This standard amends SFFAS 6 and 8 to eliminate special classes of general PP&E (e.g., Federal mission, national defense PP&E, or space exploration equipment).

**SFFAS 12 - Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government** (effective since FY 1998). This standard provides an exception to the contingent liability standard for recognizing loss contingencies for pending or threatened litigation and unasserted claims. Such loss contingencies would recognize a liability when a future outflow or other sacrifice of resources is "likely" to occur rather than when such outflow is "more likely than not" to occur, which is the threshold required by SFFAS 5 for other types of contingencies.

**SSFAS 13 - Deferral of Paragraph 65.2 - Material Revenue-related Transactions Disclosures: Amending SFFAS 7, Accounting for Revenue and other Financing Sources** (requirement deferred until FY 2001). This standard defers the implementation of certain provisions affecting agencies that collect taxes for the Federal Government.

**SFFAS 14 - Amendments to Deferred Maintenance Reporting (amends SFFAS's 6 and 8).** This standard (effective FY 1999) modifies the status of deferred maintenance information to define it as required supplemental information (RSI) rather than as basic information within the financial statements and the notes thereto. Thus, a line item for 'deferred maintenance' is no longer required on the statement of net costs with a reference to a note disclosure. The standard does not modify the scope of information to be provided to users of financial statements, as it remains a required disclosure, but does modify its presentation as RSI, which lowers its level of review by financial statement auditors.

**SFFAS 15 - Management's Discussion and Analysis - Standards.** For all financial reports from FY 2000 and beyond, this standard establishes standards for preparing MD&A, lists the concepts that must be addressed (including guidance on cross referencing other entity reports), and defines MD&A as RSI.

**SFFAS 16 - Amendments to Accounting for Property, Plant and Equipment - Measurement and Reporting for Multi-Use Heritage Assets (Amending SFFAS 6 and 8).** This standard (effective FY 2000) affects accounting and reporting standards for heritage assets that serve a dual purpose, meaning they have a heritage characteristic and they are used in general government operations. They define multi-use heritage assets as those who predominant use is general government operations and require the costs of acquisition, reconstruction and betterment to be capitalized as general PP&E and depreciated over their service life.

**SFFAS 17 - Accounting for Social Insurance.** This statement presents accounting standards for Federal social insurance programs and identifies the scope of information that must be presented on Federal social insurance programs as Required Supplementary Stewardship Information (RSSI), including program information on long-term sustainability and financial condition.

**SFFAS 18 - Amendments to Accounting Standards for Direct Loans and Loan Guarantees.** Beginning in FY 2001, this statement amends SFFAS 2 to improve financial reporting so that more useful information on credit program's subsidy costs and performance are provided to financial statement users. Reporting entities are required to discuss how program decisions affect subsidy rates estimated in their budgets.

**SFFAS 19 - Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees.** Effective as of FY 2002, these technical amendments to SFFAS 2 clarify which accounting methods to apply to accrue and compound interest on loan guarantee liabilities and to calculate current value of acquired assets.

**SFFAS 20 - Elimination of Certain Disclosures Related to Tax Revenue Transactions by the Internal Revenue Service, Custom Service, and Others: Amending SFFAS 7.** Beginning in FY 2001, this statement rescinds a paragraph within SFFAS 7, which was causing interpretation errors by users of financial statements of IRS, CS and others. The IRS had revised its collections process and modernized its systems so that the reconciliations required by the paragraph in question were no longer necessary.

**SFFAS 21 - Reporting Corrections of Errors and Changes in Accounting Principles: Amending SFFAS 7.** Effective FY 2002, this amendment requires that when material errors are discovered in prior period financial statements, all statements presented must be restated to correct the errors. The Board retained the requirement that prior period financial statements need not be restated for changes in accounting principles.

**SFFAS 22 - Change in Certain Requirements for Reconciling Obligations and Net Cost of Operations: Amending SFFAS 7.** Effective in FY 2001, the statement deletes a requirement in SFFAS 7, requiring increases and decreases in receivables from the public, related to exchange revenue, to be reported as a nonbudgetary resource. The effect of the change is that the location of the reconciliation of budgetary and financial accounting information is no longer specified by the standard.